



Ref: IRDA/TPA/ORD/MISC/142/06/2014

FINAL ORDER

In the matter of M/s MD INDIA HEALTHCARE SERVICES TPA PVT LTD.

Based on Reply to Show Cause Notice dated 09th May 2014 and Submissions made during Personal Hearing Chaired by Sri M. Ramaprasad, Member Non-Life, IRDA on 3rd June 2014 at 1130 hrs. at the office of Insurance Regulatory and Development Authority, 3rd Floor, Parishrama Bhavanam, Basheerbagh, Hyderabad.

In terms of office Order No. IRDA/Legal/2013/4 dated 19-08-2013, an appropriate Show Cause Notice on observed deficiencies in the functioning of licensed TPA namely, MD India Healthcare Services (TPA) Pvt Ltd. (MD India TPA / TPA) was issued and in deference to the licensed entity's request to hear them on the charges for which they had also filed written submissions, the undersigned during the course of the personal hearing heard the submissions of the TPA company represented by Mr. Rajnish Sharma, M.D., and Mr. Suresh Kharandikar, CEO of MD India TPA.

The charges as conveyed in the Show Cause Notice were once again conveyed to the representatives of the licensed TPA and overall they submitted that there were deficiencies in the compliance of requirements of the Authority. It was further submitted by the TPA that, the deficiencies or non-compliance of requirement were totally unintentional and the TPA assumed that the issues under discussion was not of serious nature and appropriate attention while filing submission has not been ensured.

The charges against the entity and its response during the personal hearing are as below:

Ch. No.	Charge	TPA response during personal hearing.	Findings
1	Appointment of Mr. Tilak Inderlal Sharma, Promoter and Shareholder of MD India TPA, as a director in Aspire Insurance Brokers Pvt. Ltd. The TPA has given wrong / misleading undertaking to the Authority that none of the promoter/shareholder/ director are involved in insurance or insurance related activity	Mr. Tilak Sharma is holding only 35 shares in TPA Company which is 0.0017% of total shareholding.	Violation of Reg. 21(1) to be read with Reg. 25 (3) of IRDA (TPA-Health Services) Regulation, 2001.
2	Company has a very casual approach in replying to the Regulator and upon raising queries the TPA was changing their statements. The said act is deliberate mis-statement of facts to the Authority and TPA Company had failed to submit true and correct statement to the Authority.	TPA accepted the lapse on their part and submitted apologies for the deficiency.	Violation of Reg. 25 (3) of IRDA (TPA – Health Services) Regulation, 2001.



3	<p>Mr. Tilak I. Sharma is promoter of TPA Company. This fact was not disclosed by the TPA in 'column f' - Name and activities of promoters of renewal application dated 16-01-2014.</p>	<p>The charge is accepted by TPA with submission that as Mr. Tilak Sharma is holding 35 shares in TPA Company which is 0.0017% of total shareholding his name was not included in column 'f' of the application for renewal of TPA license.</p>	<p>Violation of Reg. 21 (1) to be read with Reg. 25 (3) of IRDA (TPA – Health Services) Regulation, 2001.</p>
4	<p>Appointment of Mr. Soundararajan Rajan, General Manager – Finance & Accounts and Key Person of MD India TPA as a director in Aspire Insurance Brokers Pvt. Ltd.:</p> <p>The TPA has given wrong / misleading undertaking to the Authority that none of the promoter/shareholder/ director are involved in insurance or insurance related activity.</p>	<p>In support to the submission of MD India TPA that Mr. Soundararajan Rajan has resigned from the services of MD India TPA, they have submitted proof for gratuity claim settlement by LIC of India w.r.t. Mr. Soundararajan Rajan.</p>	<p>Violation of Reg. 21(1) to be read with Reg.25 (3) of IRDA (TPA - Health Services) Regulation, 2001.</p>
5	<p>On initial query about engagement of Mr. Soundarajan Rajan in insurance or insurance related activity.</p> <p>It was submitted by MD India TPA in letter dated 17-02-2014 that presently Mr. Soundarajan Rajan is a Group CFO.</p> <p>The requested documents w.r.t. resignation of Mr. Soundararajan Rajan was not submitted by MD India TPA.</p>	<p>The appointment matter of Mr. Soundararajan Rajan was on initial stage.</p> <p>It is clear from the communication of MD India TPA that as on 17-02-2014 (TPA letter date) Mr. Rajan was appointed as Group CFO, and now upon raising query from Authority they submit that they have not appointed him as Group CFO. Thus TPA Company failed to submit the requested documents to the Authority.</p>	<p>Violation of Reg. 25 (3) to be read with Reg. 21 (1) of IRDA (TPA – Health Services) Regulation, 2001</p>
6	<p>However, it was submitted by MD India TPA in letter dated 04-03-2014 that,</p> <p>“Mr. Soundarajan Rajan’s appointment as Group CFO is at a primitive stage and no implementation is so far done. Now it has been finalized that he will not be designated as Group CFO.”</p> <p>Thus it was noted that upon raising the queries in the matter of Mr. Soundarajan Rajan TPA had changed the statement given in your letter dated 04-03-2014.</p>	<p>It was submitted that though there was a consideration to appoint Mr. Soundararajan Rajan as Group CFO, it was never implemented.</p> <p>It is clear from the communication of MD India TPA that as on 17-02-2014 (TPA letter date) Mr. Rajan was appointed as Group CFO, and now upon raising query from Authority they submit that they have not appointed him as Group CFO. Thus TPA changing the statement.</p>	<p>Violation of Reg. 21 (1) to be read with Reg. 25 (3) of IRDA (TPA – Health Services) Regulation, 2001.</p>



7	The fact about resignation of Mr. Soundarajan Rajan was examined against the e-mail communication exchanged between the Authority / MD India TPA / L & T Infotech (BAP implementer). It was noted from the e-mail records of the Authority that Mr. Soundarajan Rajan, is engaged in day to day activities of MD India TPA up till 30-04-2014.	MD India TPA accepted the charge and had submitted apologies for the deficiency	Violation of Reg. 21 (1) to be read with Reg. 25 (3) of IRDA (TPA – Health Services) Regulation, 2001.
8	The fact that Mr. Tilak I. Sharma is promoter of MD India TPA was not disclosed in 'column f' of Form TPA-3 of application for renewal TPA license at the time of previous renewals of TPA license also.	The charge is accepted by TPA with submission that as Mr. Tilak Sharma is holding 35 shares in TPA Company which is 0.0017% of total shareholding his name was not included in column 'f' of the application for renewal of TPA license.	Violation of Reg. 11(1) of IRDA (TPA – Health Services) Regulation, 2001.
9	It is evident from the above charge no. 8 that the renewal of license no. 05 for the period 2008-11 and 2011-14, was granted on the basis of misrepresentation of facts.	The charge is accepted by TPA with submission that as Mr. Tilak Sharma is holding 35 shares in TPA Company which is 0.0017% of total shareholding his name was not included in column 'f' of the application for renewal of TPA license. Further, it was submitted by TPA that the said omission of the name was due to their above submission of shareholding and unintentional.	Violation of Reg. 21 (1) IRDA (TPA – Health Services) Regulation, 2001.
10	Authority vide letter Ref.: IRDA/TPA/005/Vol.IV dated 25-10-2011 vide which the Authority had imposed penalty of Rs.5 lakhs on your Company for violation of Reg. 25 (3) and Reg. 21 (2) (n) of IRDA (TPA Health Services) Regulation, 2001 and Authority circular no. 22/IRDA/F&A/Aug-05 dated 25-08-2005. The said violations repeated by MD India TPA. In addition TPA had violated Reg. 11(1) of TPA regulation.	The charge was accepted by the TPA with the submission that the violations happened are because of unintentional lapses.	Violation of Reg. 21 (2) (n) IRDA (TPA – Health Services) Regulation, 2001.

DECISION

Submission of licensed entity against Charge no.'4' with respect to resignation of Mr. Soundarajan Rajan (General Manager – Finance & Accounts) from M/s. MD India TPA along with documentary evidence is accepted and concerned charge is dropped. In respect of all other charges numbering from 1 to 10 (but except for charge no. '4'), the licensed entity accepted their lapse and submitted that the entire issue has not been given due weightage and appropriate submissions have not been made to the Authority. MD India TPA further submitted that they have been servicing the industry and policyholders




and to the best of their knowledge, there has not been any occasion for either of the parties to find serious deficiencies in their rendering of TPA services.

It is noted that prescribed requirements of the Authority have been taken casually. In a previous occasion as well, their approach has been casual, when the Authority sought clarifications for the discrepancies and non-adherence of the code of conduct of Regulation 21(n) of IRDA (TPA - Health Services) Regulation, 2001 and violation of circular no. 22/IRDA/F&A/Aug-05 dated 25.8.2005 were observed. The Authority then vide letter Ref.: IRDA/TPA/005/Vol.IV dated 25-10-2011 had levied a penalty of Rs.5 lakhs for the observed violations.

The Authority once again observed the non-compliance of Regulation Reg. 21 (2) (n) and Reg. 25 (3) of IRDA (TPA – Health Services) Regulation, 2001. In addition MD India TPA had violated Reg. 11(1) and Reg. 21 (1) of IRDA (TPA – Health Services) Regulation, 2001. Therefore, the Authority under powers vested in Section 102 of the Insurance Act 1938, levies penalty of Rs.5 lakhs towards such recurring violations. The penalty of Rs. 5 lakhs (Rupees Five Lakhs only) shall be remitted by MD India Healthcare (TPA) Services Pvt. Ltd. within a period of 07 days from the date of issuance of this Order through a crossed demand draft drawn in favour of Insurance Regulatory and Development Authority and payable at Hyderabad, which may be sent to Ms. Yegna Priya Bharath, Joint Director (Health) at the Insurance Regulatory and Development Authority, 3rd Floor, Parisrama Bhavanam, Basheerbagh, Hyderabad 500 004.

The licensed TPA is cautioned severely for such lackadaisical approach to their Regulatory Compliances.

Place : Hyderabad
Date : 17-06-2014


M. Ramaprasad
Member (Non-Life)